

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4358-01
Bill No.: Perfected HJR 48
Subject: Veterans; Lotteries; Constitutional Amendments
Type: Original
Date: February 12, 2014

Bill Summary: This proposal establishes a constitutional amendment requiring the State Lottery Commission to develop and sell a Veterans' Lottery Ticket with proceeds going to the Veterans' Commission Capital Improvement Trust Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (More than \$7,100,000)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$7,100,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Lottery Proceeds Fund*	\$0	\$0	\$0
Veterans' Capital Improvements Trust Fund	\$0	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

* Loss and Savings net to zero

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Secretary of State (SOS)** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, subsection 115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The Secretary of State's Office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and sections 116.230-116.290, RSMo. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). Therefore, the Secretary of State's Office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

ASSUMPTION (continued)

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2015. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. The next scheduled general election is in November 2014 (FY 2015). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2015.

Officials from the **Missouri Lottery (LOT)** assume the proposal requires the LOT to develop and sell a veterans lottery ticket, net proceeds from which are to be deposited in the veteran's commission capital improvements trust fund. Lottery proceeds, net of prizes, and administrative expenses, are currently appropriated solely to public education.

LOT assumes this proposal would divert lottery proceeds funding away from education, requiring General Revenue to be used to absorb the shortfall negatively impacting Total State Revenue.

LOT assumes overall sales and expenditures will be unaffected; the Veterans' lottery ticket instead would displace an equivalent existing game. The state fiscal impact estimate assumes average annual net proceeds for a \$2 instant game ticket. If a \$1 instant game ticket is assumed, fiscal impact would be slightly less negative (negative \$1.4 million to negative \$1.8 million for a \$1 ticket versus negative \$1.9 million to negative \$2.4 million for a \$2 ticket).

Officials from the **Missouri Veteran's Commission (VET)** assume the impact to their agency will be unknown but would likely be positive. VET defers to LOT for the fiscal impact.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP.

BAP states this proposal will have no impact on 18(e) calculation. The impact on total state revenue is unknown. If overall sales of lottery tickets are not increased by this proposal, there would be no impact on TSR. To the extent that lottery proceeds currently going to education are instead deposited to the Veterans' Commission Capital Improvement Trust Fund, there could be unknown budgetary impacts.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume they have received Lottery funds since 1994. During the last six fiscal years, DESE has received the following proceeds from Lottery sales:

2008: \$181,442,919
2009: \$181,949,215
2010: \$179,434,984
2011: \$163,619,956
2012: \$165,081,892
2013: \$180,775,146

Developing a “Veteran’s Lottery Ticket” and depositing the proceeds into the Veterans’ Commission Capital Improvements Trust Fund will likely have a significant impact on DESE’s proceeds; however, DESE cannot determine to what extent.

Oversight assumes the Missouri Lottery Commission would implement the new Veterans Lottery Ticket during the last six months of FY 15 but no later than July 1, 2015.

Oversight will range the fiscal impact on the Veterans’ Commission Capital Improvements Trust Fund from \$0 (resolution is not passed by the voters) to an unknown positive fiscal impact (resolution is passed by the voters).

Oversight will range the fiscal impact on Local Political Subdivisions from \$0 (resolution is not passed by the voters) to an unknown negative fiscal impact, (resolution is passed by the voters) since Lottery Proceeds for Education would potentially be reduced.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Expense</u> - reimbursement of local political subdivisions for special election costs if called for by the Governor	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
LOTTERY PROCEEDS FUND			
<u>Savings</u> - Lottery Commission - reduced distribution to local school districts	\$0	\$0 to Unknown	\$0 to Unknown
<u>Loss</u> - Lottery Commission - some lottery proceeds now going to Veterans Commission Capital Improvement Trust Fund	<u>\$0</u>	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND			
<u>Revenue</u> - Veterans Commission - net proceeds from Veterans Lottery Ticket	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE VETERANS' COMMISSION CAPITAL IMPROVEMENTS TRUST FUND	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - cost reimbursement from the State for special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Expense</u> - cost for special election	\$0 or (More than \$7,100,000)	\$0	\$0
<u>Loss</u> - Lottery Proceeds for Education potentially reduced because proceeds of new Veterans Lottery Tickets going to VCCITF	<u>\$0</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

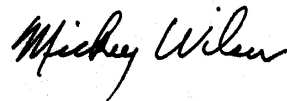
FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment requires the State Lottery Commission to develop and begin selling a "Veterans Lottery Ticket" by July 1, 2015. All net proceeds received from the sale of these tickets must be deposited solely into the Veterans Commission Capital Improvement Trust Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Secretary of State
Missouri Lottery Commission
Missouri Veterans Commission
State Treasurer's Office
Department of Elementary and Secondary Education



Mickey Wilson, CPA
Director
February 12, 2014

Ross Strobe
Assistant Director
February 12, 2014